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Education Interim Committee
65th Montana Legislature

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TO: Education Interim Committee
FROM: Pad McCracken, Committee Staff
RE: Options for changing funding for special needs (HJ 1 study)
DATE: March 10, 2018

At the last meeting in January, the committee asked staff to prepare possible options for changing the ways the state provides funding support for school district programs serving students with special needs. This fits well with item 6 from the [HJ 1](#) excerpt below. Our previous meetings have addressed items 1-5. Items 7-9 outline the criteria by which the committee may want to consider the options provided in this memo, and others.

BE IT FURTHER RESOLVED, that the study:

- (1) review existing studies of funding special education in Montana and their conclusions and recommendations;
- (2) review best practices for programs serving students with special needs;
- (3) review the current funding mechanisms for programs serving students with special needs;
- (4) examine recent expenditure patterns for programs serving students with special needs;
- (5) review current programs utilized by Montana schools to serve students with special needs;
- (6) investigate alternative funding mechanisms for programs serving students with special needs, including mechanisms used by other states;
- (7) consider whether alternative funding mechanisms would provide a better match between funding levels for special education and actual costs of the mandated services;
- (8) consider whether alternative funding mechanisms would prevent tendencies to overidentify special education students or elevate levels of service beyond the areas of need in order to receive more funding;
- (9) consider whether alternative funding mechanisms would enhance the development of the full educational potential or the equality of educational opportunity for students with special needs; and
- (10) examine any other aspect related to the educational needs of students with special needs as determined by the assigned committee.

The options listed below should not be viewed as recommendations, or as a comprehensive list of all possibilities. They reflect mechanisms used by other states as well as tweaks to Montana's existing funding mechanisms.

As with all legislative proposals, it might be helpful to first identify exactly what problem or concern with our current funding the committee wishes to address. Regardless of whether the committee identifies concerns and makes recommendations to the 66th Legislature or finds no areas of concern warranting legislative changes after conducting the study requested in HJ 1, the committee will have satisfied the study.

Note—any estimates of fiscal impact listed with the options below should be viewed as real ballpark, back-of-the-envelope estimates. If the committee wishes to pursue specific options, a more thorough fiscal analysis can be provided.

1. Address any **special education** concerns (increased district and co-op costs, stagnant state and federal support; co-ops struggling; high-cost students; recruitment and retention of special education teachers and specialists):
 - a. Use one of the possibilities recommended by the School Funding Interim Commission:
 - i. [HB 31](#) -- Increase special education payment by amount equivalent to inflationary adjustment; helps districts and co-ops (about \$1 million/year)
 - ii. [HB 32](#) -- Increase special education payment amount equivalent to inflationary adjustment + \$2 million annually for co-ops through appropriation and changes in distribution percentage (about \$3 million/year; helps districts and co-ops, but co-ops more)
 - iii. [HB 33](#) -- Increase special education payment by \$2 million annually for co-ops through appropriation and changes in distribution percentage (helps co-ops; district funding amounts relatively unchanged)
 - b. Increase the special education payment by an amount TBD. This will send more money to co-ops and districts; it will also increase district BASE budgets and therefore GTB and local property taxes to some degree.
 - c. Include the special education payment with other funding components receiving inflationary adjustment; this would provide ongoing increases starting in the 2023 biennium. This could be done in conjunction with any of the other options.
 - d. Revise 20-5-324 (SB 191 permissive levy for high-cost special education students) to allow member districts of co-operatives to utilize for co-op assessments (no state cost)
 - e. If some co-ops are struggling more than others financially, adjust the distribution of the 5% admin and travel allocation under [20-9-321\(4\)\(b\)\(iv\)](#) to better target special education funding (ex. emphasize ANB less, geography more; no state cost).
 - f. Include in weighted-student count (see #6 below)

2. Provide state funding for **English Learners** (ELs; currently Montana is 1 of 4 states that provide no state funding; [20-9-309, MCA](#), includes the needs of ELs as an educationally relevant factor; EL achievement and graduation rates are low):
 - a. Provide a 1:1 state match for federal Title III dollars subgranted to districts by OPI. Accountability through piggybacking on federal grant requirements. (About \$500,000/year; about \$165/EL student based on 3,000 EL students)
 - b. Create EL component in formula, similar to American Indian Achievement Gap payment; a district receives a 100% state-funded payment (or state/local blend) of \$165/EL student. Accountability through new reporting to OPI or TBD. Could also limit to EL students served under Title III subgrants to piggyback on that accountability. (About \$500,000/year)
 - c. Include in weighted-student count (see #6 below)
3. Revise funding for **at-risk students** (current state funding is low compared to other states, about \$75/at-risk student; low-income student achievement gap)
 - a. Increase current at-risk payment from \$5.5 million to TBD
 - b. Allocate at-risk payment differently to better target funds at students most at risk. Could utilize already collected data used in OPI Early Warning System related to transience and grade repetition, in addition to poverty.
 - c. Include in weighted-student count (see #6 below)
4. Revise funding for **gifted and talented** (G&T; current level of state support for grant program results in most districts not even applying; inconsistent opportunities for G&T kids district to district)
 - a. Increase existing grant program from \$250,000/year to \$1 million or TBD amount; \$1 million puts Montana mid-pack with our neighboring states and provides about \$200/G&T student based on 5,000 identified students (currently identified number) or \$135/G&T student if 7,500 identified. Accountability through existing grant program requirements. Could consider revising grant distribution formula to better address needs of districts of all sizes.
 - b. Create G&T component in formula, similar to Indian Achievement Gap payment; a district receives a 100% state-funded payment (or state/local blend) of \$200/G&T student, not to exceed 5% of total student enrollment in any district. Accountability through new reporting to OPI or TBD. (About \$1.5 million/year)
 - c. Assuming a consistent percentage of G&T students in each district and equivalent costs in serving them regardless of district size, could increase the per-ANB entitlement by \$10/ANB for the purpose of supporting district efforts to identify and serve G&T. Little accountability in this approach. (About \$1.5 million/year)
 - d. Include in weighted-student count (see #6 below)
5. Provide funding for students receiving accommodations under **Section 504 plans**— Because there is no data reported on the number of kids served under 504 plans, it is

difficult to create a component based on this. It is also not clear if the federal government or any state explicitly provides funding for students with 504 plans. The committee could consider removing this category of students from 20-9-309, MCA, or stating that the funding necessary to provide accommodations for these students is included as part of the basic or per-ANB entitlements, or the per-ANB entitlement could be increased for the purpose of providing districts with funding to serve students with 504 plans.

6. Utilize a weighted-student count for any/all of the above categories of special needs students:

Category	Additional Weight (A)	Approx # of students statewide (B)	Increase in ANB statewide (C; = A X B)	<u>Rough</u> state cost of ANB increase statewide (D; = C X \$5,000)	Existing funding state cost (E)
English Learner	.05	3,000	150	\$0.8 million	\$0
At-risk	.1	70,000	7,000	\$35 million	\$5.5 million
Gifted and Talented	.05	7,500	375	\$1.9 million	\$250,000
Special Ed (low-cost)	.3	12,000	3,600	\$18 million	\$43 million
Special Ed (mid-cost)	1.0	5,000	5,000	\$25 million	
Special Ed (high-cost)	3.0	1,000	3,000	\$15 million	

The above figures are rough calculations intended to give the committee one example of how a weighted-student count could look. Moving to a weighted-student count raises a number of policy questions, including:

- Will the weights for a student who fits multiple categories be added, or just the highest weight used?
 - How will the distinctions between degree/cost of disability be made, and how will consistent identification between districts be assured?
 - How will other per-ANB components of the funding formula be impacted by moving to a weighted-student count (ex. Indian Ed for All and Data for Achievement payments)?
 - How will special education co-operatives be funded in this model?
 - What are the implications for federal maintenance of effort requirements?
 - Will basing funding on numbers of identified students create incentive for over-identification?
7. If the committee is concerned that aspiring and/or current teachers are not adequately prepared to identify and serve students with various special needs:
 - a. Could encourage the Board of Public Education to examine teacher preparation requirements for serving special needs populations.
 - b. Could require that 1 of 7 pupil-instruction-related (PIR) days be spent on professional development related to serving special needs populations. Or add a PIR day that must be used for this purpose.